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22 UNITED STATES BANKRUPTCY COURT
23 DISTRICT OF NEVADA

24 —ooOoo—

25 In Re: Case No. BK-N-11-50084-BTB
26 ELKO GOLD MINE, LLC, Chapter 11

27 Debtor.

Hearing Date: TBD
Hearing Time: TBD

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**DEBTOR'S AMENDED
DISCLOSURE STATEMENT**

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1 **1. INTRODUCTION**

2 This Amended Disclosure Statement (hereinafter the "Disclosure Statement") is
 3 provided to creditors by the connection with the solicitation of acceptances of the Debtor's
 4 Amended Plan of Reorganization (the "Plan"¹), filed on **April 11, 2011**, or any subsequent
 5 amended plan of reorganization. The Debtor's reorganization case is under Chapter 11 of
 6 the United States Code, and was initiated on **January 10, 2011**, in the United States
 7 Bankruptcy Court for the District of Nevada, as **Case No. BK-N-11-50084-BTB**. The Plan
 8 provides for the treatment of claims of creditors and interest of the equity security holders².

9 The objective of a Chapter 11 bankruptcy case is to obtain Bankruptcy Court approval
 10 of a plan of reorganization. This process is referred to as confirmation of a plan. A plan
 11 describes in detail (and in language appropriate for a legal contract) the means for satisfying
 12 the claims against, and equity interests in, a Debtor. After a plan has been filed, the holders
 13 of such claims and equity securities that are "impaired" (a term defined in Bankruptcy Code
 14 Section 1124 and discussed in detail below) are permitted to vote to accept or reject the plan.
 15 Before a Debtor or other plan proponent can solicit acceptances of a plan, Bankruptcy Code
 16 Section 1125 requires the Debtor or other plan proponent(s) to prepare a disclosure statement
 17 containing adequate information of a kind, and in sufficient detail, to enable those parties
 18 entitled to vote on the plan to make an informed judgment about the plan and whether they
 19 should accept or reject the plan.

20 **1.1 Purpose of the Disclosure Statement**

21 The purpose of this Disclosure Statement is to ensure that claimants have adequate
 22 information to enable each class to make an informed judgment about the Plan. The assets
 23

24 ¹ Capitalized terms not otherwise defined herein will have the same meaning as are
 25 ascribed to such terms in the Plan which is filed contemporaneously herewith.

26 ² An equity security of the Debtor as the term is defined in Section 101(16) of the
 27 Bankruptcy Code includes any ownership interest in the Debtor, including membership
 28 interests.

1 and liabilities of the Debtor are summarized herein. To the extent the information contained
2 in this Disclosure Statement may be inconsistent with the Debtor's Statement of Financial
3 Affairs and (Amended) Schedule of Assets and Liabilities filed on January 10, 2011, or
4 subsequent amendments thereto, this Disclosure Statement shall supersede such Statements
5 and Schedules (as may have been amended).

6 This Disclosure Statement describes the business background and operating history
7 of the Debtor before the filing of the case. It also summarizes certain significant events that
8 have taken place during the case and describes the terms of the Plan, which divides creditor
9 claims and the interests of shareholders into classes and provides for the satisfaction of
10 allowed claims and interests.

11 The Court will set a time and date as the last day to file acceptances or rejections of
12 the Plan. Thereafter, a hearing on confirmation of the Plan will be held in the United States
13 Bankruptcy Court for the District of Nevada, located at the U.S. Federal Building &
14 Courthouse, 300 Booth Street, Reno, Nevada. Creditors may vote on the Plan by filling out
15 and mailing a special form of ballot. The form of ballot and special instructions for voting
16 will be forthcoming upon approval of the Disclosure Statement by the Court. Creditors are
17 urged to carefully read the contents of this Disclosure Statement before making a decision
18 to accept or reject the Plan.

19 **1.2 Acceptance and Confirmation**

20 In order for the Debtor's Plan to be confirmed, each impaired class of claims or
21 interests must accept the Plan, except as set forth below. In order for the Plan to be deemed
22 accepted, a majority in number and two-thirds in dollar amount of the claims of each class
23 of creditors impaired under the Plan of those that actually vote, must vote for acceptance of
24 the Plan. Holders of claims who fail to vote are not counted as either accepting or rejecting
25 the Plan.

26 Classes of claims that are not "impaired" under a Plan are deemed to have accepted
27 the Plan. Acceptances of the Plan are being solicited only from those persons who hold
28 claims or interests in impaired classes. A class is "impaired" if the legal, equitable or

1 contractual rights attaching to the claims or interests of that class are modified, other than by
2 curing defaults and reinstating maturities, or by payment in full in cash.

3 **1.3 Confirmation Without Acceptance By All Impaired Classes**

4 The Bankruptcy Code contains provisions for confirmation of a Plan even if the Plan
5 is not accepted by all impaired classes, as long as at least one impaired class of claims has
6 accepted the Plan. These “cram-down” provisions for confirmation of a Plan, despite the
7 non-acceptance of one or more impaired classes of claims or interest, are set forth in
8 § 1129(b) of the Bankruptcy Code.

9 If a class of unsecured claims rejects the Plan, it may still be confirmed so long as the
10 Plan provides that (i) each holder of a claim included in the rejecting class receive or retain
11 on account of that claim property which has a value, as of the Effective Date, equal to the
12 allowed amount of such claim; or that (ii) the holder of any claim or interest that is junior to
13 the claims of such class will not receive or retain on account of such junior claim or interest
14 any property at all.

15 If a class of secured claims rejects the Plan, it may still be confirmed so long as the
16 Plan provides (i) the holders of such claims retain the lien securing such claim; (ii) the
17 holders of such claims receive on account of such claims deferred cash payments totaling at
18 least the allowed amount of such claims, of a value, as of the Effective Date of the Plan, of
19 at least the value of such claimant’s interest in the estate’s interest in such property; (iii) for
20 the sale of the property in accordance with § 1129(b)(2)(A)(ii); or (iv) for the realization by
21 such claimants of the indubitable equivalent of the claim.

22 **1.4 Disclaimer**

23 No representations concerning the Debtor is authorized by the Debtor except as set
24 forth in this Disclosure Statement. Any representations or inducements made to secure your
25 acceptance or rejection of the Plan other than as contained herein have not been authorized
26 and should not be relied upon by you in making your decision, and such additional
27 representations and inducements should be reported to counsel for the Debtor, who in turn
28 should deliver such information to the Court for such action as may be deemed appropriate.

1 The information contained herein has not been subjected to a certified audit. The records
 2 kept by the Debtor and other information relied on herein are dependent upon investigations
 3 and accounting performed by the Debtor and others employed by the Debtor. The Debtor is
 4 unable to warrant that the information contained herein is without inaccuracy, although a
 5 great effort has been made to be accurate, and the Debtor believes that the information
 6 contained herein is, in fact, accurate.

7 **2. INFORMATION REGARDING THE CHAPTER 11 ESTATE**

8 **2.1 History of the Debtor and Events Leading to the Filing of the Chapter 11** 9 **Case**

10 The Debtor purchased the property known as the Best Western Elko Inn located at
 11 1930 Idaho Street, Elko, Nevada (the "Property") in October of 2008. The purchase price
 12 was the sum of \$7,350,000.00. The Property was financed by Excel National Bank ("Excel")
 13 in the original amount of \$5,000,000.00. A second mortgage was also placed on the Property
 14 at the time of the purchase in October, 2008, with DNK Airport, LLC in the amount of
 15 \$1,200,000.00. The debt was secured by a second deed of trust on the Property.

16 The Debtor successfully operated its business until early 2009, when it began to
 17 experience a decline in occupancy generally associated with the decline in the overall
 18 national economy and the local economy. As a result, the Debtor became delinquent in its
 19 mortgage payments, which ultimately lead to a receivership proceeding being commenced
 20 against the Debtor. The filing of this Chapter 11 case stayed the appointment of a receiver.

21 **2.2 Ownership of Debtor and Its Management.**

22 The members of the Debtor are Jagmohan Dhillon and Bawa Dhillon. The Debtor
 23 manages its own operations through Jagmohan Dhillon, Bawa Dhillon, Angie Virk (General
 24 Manager) and JB Abbas (Bookkeeper).

25 **2.3 Co-Debtors**

26 There are no guarantors or co-debtors of any obligations owed by the Debtor.

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1 **3. DEVELOPMENTS DURING THE COURSE OF THIS CHAPTER 11 CASE**

2 **3.1 Meeting of Creditors**

3 The United States Trustee conducted a meeting of creditors pursuant to 11 U.S.C.
4 § 341 on February 14, 2011. The Debtor appeared through its principal, Jagmohan Dhillon.

5 **3.2 Schedules and Statement of Affairs**

6 The Debtor filed its schedule of assets and liabilities and statement of financial affairs
7 on January 10, 2011, and amended the same on April 11, 2011. Those schedules and
8 statements may be viewed online at www.nvb.uscourts.gov or may be obtained from the
9 Bankruptcy Clerk for a fee.

10 **3.3 Monthly Operating Reports**

11 Monthly operating reports reflecting the Debtor's ongoing financial status are filed
12 with the United States Bankruptcy Court and can be viewed online at www.nvb.uscourts.gov.

13 **3.4 Employment of General Counsel**

14 On March 24, 2011, the Debtor filed a Joint Application to Employ the Law Offices
15 of Alan R. Smith and Kung & Associates as its attorneys of record. A hearing on the Joint
16 Application has been set for May 18, 2011 at 10:00 a.m.

17 **3.5 Creditors Committee**

18 On January 28, 2011, the Office of the United States Trustee formed the Official
19 Committee of Unsecured Creditors (the "Committee"). On March 23, 2011 White Law
20 Chartered ("WLC") filed its Application (on negative notice) on appointment of counsel for
21 the Committee. On April 26, 2011 the Court entered its order approving WLC's employment
22 [Dkt. #97].

23 **3.6 Use of Cash Collateral**

24 On March 7, 2011, the court entered its Order Authorizing Interim Use of Cash
25 Collateral and Payment of Pre-Petition Wages [Dkt. #49].

26 ///

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4. DESCRIPTION OF ASSETS**4.1 Description of Real Property**

Description Type	Assessor's Parcel #	Estimated Value ³
Best Western Elko Inn located at 1930 Idaho Street, Elko, Nevada	001-590-010	\$2,000,000.00

4.2 Description of Personal Property

Description	Location	Est. Current Value
Checking Account (DIP) (main account)	Nevada Bank & Trust	\$ 12,250.00
Petty Cash	1930 Idaho Street, Elko, Nevada, 89801	\$ 500.00
Accounts Receivable	1930 Idaho Street, Elko, Nevada, 89801	\$ 36,745.00
2002 Chevy Passenger 1500	1930 Idaho Street, Elko, Nevada, 89801	\$ 3,500.00
Motel Furniture	1930 Idaho Street, Elko, Nevada, 89801	\$ 1,327,628.25
Inventory, gift shop and motel.	1930 Idaho Street, Elko, Nevada, 89801	\$ 84,716.00
TOTAL:		\$ 1,465,339.70

5. DESCRIPTION OF DEBTS**5.1 Administrative Claims**

(A) Attorneys Fees/Law Offices of Alan R. Smith. The Debtor will be obligated to pay attorneys fees and costs owed to Kung & Associates and the Law Offices of Alan R. Smith, subject to Court approval. The Debtor estimates that attorneys fees will

³This is the Debtor's estimate only. May be revised if a current appraisal is obtained by the Debtor, or the value is determined by the Court.

be incurred prior to Plan confirmation, but is unable to project the final balance at this time.

(B) U.S. Trustee Fees. All fees required to be paid to the United States Trustee will be paid in full upon the Effective Date of the Debtor's Plan. U.S. Trustee fees due in this case have been paid.

5.2 Priority Claims

The Debtor estimates priority claims owed as follows:

Creditor	Nature of Lien	Estimated Amount of Priority Claim
City of Elko	Room Tax	\$ 24,676.59
Nevada Division Industrial Relations	Worker's Compensation Claim (Disputed)	\$ 24,766.51
Internal Revenue Service	FICA Taxes	\$ 72,221.42
Internal Revenue Service	(Disputed. Taxes owed by prior entity.)	\$ 89,664.00
Nevada Department of Employment and Training	Unemployment Taxes	\$ 11,128.00
Nevada Department of Taxation	Payroll Taxes	\$ 2,500.00
TOTAL PRIORITY CLAIMS		\$ 224,456.52

5.3 Secured Claims

The Debtor has scheduled against it the following secured claims:

Creditor	Nature of Lien	Est. Amount of Secured Claim
Excel National Bank	Deed of Trust	\$ 4,892,600.00
DNK Airport, LLC	Deed of Trust	\$ 1,200,000.00
CM Jarvis Furniture Leasing	Security Interest	\$ 477,629.03
Elko County Treasurer	Statutory Lien	\$ 140,602.13
TOTAL SECURED CLAIMS		\$ 6,710,831.10

5.4 Unsecured Claims

The Debtor has scheduled against it the following unsecured claims.

Creditor	Basis of Claim	Scheduled Amount of Claim	Proof of Claim Amount
Aahsome Spas	Goods/Services	\$568.56	
Action Door Controls	Goods/Services	\$17,970.00	
Ahern Rentals	Goods/Services	\$3,474.83	\$3,763.10
All American Publishing	Goods/Services	\$275.00	
Alliance Commercial Equipment	Goods/Services	\$3,031.93	
AMTEX Tex Chem Corp.	Goods/Services	\$30,396.06	\$32,183.73
Amtrust North America	Goods/Services	\$2,087.00	
AT&T	Goods/Services	\$113.76	
AT&T One Net Services	Goods/Services	\$80.45	
Baja Broadband	Goods/Services	\$3,064.90	
Baltic Linen Company	Goods/Services	\$64,983.00	\$64,982.30
Best Western International	Goods/Services	\$106,555.84	
Brody Chemical	Goods/Services	\$2,769.34	
Capital Glass, Inc.	Goods/Services	\$34,485.00	\$40,257.80
Cintas Corporation	Goods/Services	\$2,903.79	
Clearinghouse	Goods/Services	\$137.00	
Coast to Coast Computer Products	Goods/Services	\$959.87	
Commtrak	Goods/Services	\$771.18	
Contemp Ceramic Tile-SLC	Goods/Services	\$44,418.39	\$52,401.46
Creative Breakfast Concepts, Inc.	Goods/Services	\$7,936.87	\$10,936.87
Crowne Arts, LLC	Goods/Services	\$15,100.00	\$15,100.00
Culligan of Elko	Goods/Services	\$170.00	
DEA Incorporated	Goods/Services	\$5,648.90	
Desert Design	Goods/Services	\$42,222.01	
DMX, Inc.	Goods/Services	\$15,272.79	\$14,829.07
Doormats & More	Goods/Services	\$330.00	
East West Refrigeration	Goods/Services	\$263.02	
Eccolab Supplies	Goods/Services	\$5,012.00	
Ecolob Pest	Goods/Services	\$936.00	

Creditor	Basis of Claim	Scheduled Amount of Claim	Proof of Claim Amount
Elko Area Chamber of Commerce	Goods/Services	\$125.00	
Elko Daily Free Press	Goods/Services	\$468.66	
Elko Sanitation	Goods/Services	\$1,915.72	\$482.07
Ellison Electric	Goods/Services	\$2,633.19	
Ferguson Enterprises, Inc.	Goods/Services	\$18,224.61	\$33,793.30
Fidelity Title	Goods/Services	\$50,000.00	
Frontier Communications	Goods/Services	\$11,342.00	\$8,235.05
Gerber Law Office, LLP	Goods/Services	\$3,829.00	
Goicoechea Soda Blasting	Goods/Services	\$5,041.76	
GR Fence Company	Goods/Services	\$625.00	
Gritton & Associates	Goods/Services	\$159.90	
HD Supply	Goods/Services	\$17,292.38	
Hospitality Services Company	Goods/Services	\$334,950.76	\$379,360.70
Hotel Signs.com	Goods/Services	\$10,655.92	
HotShot Power Washing	Goods/Services	\$11,577.50	
Hubert	Goods/Services	\$68,880.96	\$64,038.64
Imagine Technology Services	Goods/Services	\$4,439.58	
Lodgenet Interactive Corp.	Goods/Services	\$4,869.87	\$4,859.68
Mendenhall Equipment Co.	Goods/Services	\$958.70	
MGM Construction Company	Goods/Services	\$105,458.00	
Micros Systems, Inc.	Goods/Services	\$7,263.89	\$7,228.15
Midway Industries	Goods/Services	\$598.90	
Muzak	Goods/Services	\$281.75	
Nav-Elko-GCI, LLC	Goods/Services	\$83.94	
Nevada Division of Health	Goods/Services	\$934.00	
Nevada Division of Industrial Relations	Goods/Services	\$18,210.12	\$24,260.51
Nevada Hotel & Lodging Association	Goods/Services	\$18,210.12	
NV Energy	Goods/Services	\$5,233.54	

Creditor	Basis of Claim	Scheduled Amount of Claim	Proof of Claim Amount
Pac Van	Goods/Services	\$5,100.89	
Penrod's Plumbing Heating	Goods/Services	\$299.06	
Playground Consulting	Goods/Services	\$523.20	
Plumb Line Mechanical	Goods/Services	\$12,127.57	
Professional Furnace Cleaning	Goods/Services	\$552.50	
Progressive Pest Mgmt of Northern Nevada	Goods/Services	\$150.00	
Quick Badge & Sign, Inc.	Goods/Services	\$383.10	
R & R Maintenance, Inc.	Goods/Services	\$195.00	
Rachelle J. Nicolle, Ltd.	Goods/Services	\$3,517.04	
Ray LaVoie Construction	Goods/Services	\$2,125.00	
Red Lion Inn & Casino	Goods/Services	\$17,269.65	\$17,269.65
Ruby Mountain HVAC & Refrigeration	Goods/Services	\$15,527.89	\$15,527.89
Ruby Mountain Painting, Inc.	Goods/Services	\$4,616.22	
Saflok	Goods/Services	\$703.52	
Sealy Mattress Company	Goods/Services	\$81,922.96	
Service Caster Corporation	Goods/Services	\$220.16	
Service Lamp Corp.	Goods/Services	\$421.24	
Sign Resource	Goods/Services	\$23,523.31	\$23,523.31
Snyder Services, Inc.	Goods/Services	\$17,788.00	\$17,788.00
Southwest Gas Corporation	Goods/Services	\$2,764.44	
State Fire DC Specialities	Goods/Services	\$7,084.78	\$7,566.40
Superion Services, Inc.	Goods/Services	\$12,952.50	\$12,952.50
TDS Communications	Goods/Services	\$4,759.39	\$4,987.55
Team Green, Inc.	Goods/Services	\$101,000.00	
The Cash Advantage #94030	Goods/Services	\$2,686.51	
The Paint Store	Goods/Services	\$5,875.61	\$6,480.02
Travel Today	Goods/Services	\$32.93	
TravelNow.com	Goods/Services	\$252.43	

Creditor	Basis of Claim	Scheduled Amount of Claim	Proof of Claim Amount
Val-U-Chem, Inc.	Goods/Services	\$675.64	
Valiant	Goods/Services	\$3,757.04	
Vic's 101	Goods/Services	\$229.77	
Western	Goods/Services	\$591.26	
Yellow Pages	Goods/Services	\$1,482.00	
Zurich Insurance	Goods/Services	\$244.91	
TOTAL UNSECURED CLAIMS:		\$1,447,557.78	

5.5 Claims Deadline

In accordance with the Bankruptcy Court's Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors, & Deadlines filed on January 10, 2011, the deadline for filing a proof of claim for all creditors in this action is May 16, 2011, and July 11, 2011 for governmental agencies.

6. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The Debtor is a party to the following executory contracts:

Executory Contract Name and Address	Description
Frontier P.O. Box 3609 Kingman, AZ 86402	Internet
Best Western Int'l, Inc. c/o Buchalter Nemer PC 1000 Wilshire Blvd., Suite 1500 Los Angeles, CA 90017	Franchise Agreement
Simplex Grinnell Dept CH 10320 Palatine, IL 60055	Fire Monitoring
YESCO 2401 Foothill Dr. Salt Lake City, UT 84109	Signage

7. **DESCRIPTION OF PENDING AND COMPLETED LITIGATION**

The following is a description of the pending litigation against the Debtor:

(a) *Ellison Electric v. Elko Gold Mine, LLC*, CV-C-10-975, Fourth Judicial District Court, In and For the County of Elko, Mechanic's Lien Foreclosure, Pending.

(b) *Dallas Fidelity National Bank - Phil Meyer v. Elko Gold Mine, LLC*, DC-09-10434; District Court of Dallas County, Mechanic's Lien Foreclosure, Pending.

(c) *Ferguson Enterprises, Inc. v. Elko Gold Mine, LLC*, CV-1002421, Second Judicial District Court, In and For the County of Washoe, Mechanic's Lien Foreclosure, Pending.

(d) *Plumb Line Mechanical v. Elko Gold Mine, LLC*, CV-C-10-967, Fourth Judicial District Court, In and For the County of Elko, Mechanic's Lien Foreclosure, Pending.

(e) *Superior Services, Inc. v. Elko Gold Mine, LLC*, CV-C-10-968, Fourth Judicial District Court, In and For the County of Elko, Mechanic's Lien Foreclosure, Pending.

(f) *Excel National Bank v. Elko Gold Mine, LLC*, SC110298, Los Angeles Superior Court - West District, Mortgage Debt Foreclosure/Receivership, Pending.

(g) *Jarvis v. Elko Gold Mine, LLC*, 27-CV-10, Minnesota State Court, Fourth District of Minnesota, Breach of Financing Agreement, Pending.

(h) *MGM Construction v. Elko Gold Mine, LLC*, Fourth Judicial District Court, In and For the County of Elko, Mechanic's Lien, Pending.

8. **SUMMARY OF AMENDED PLAN OF REORGANIZATION**

THE FOLLOWING IS A BRIEF SUMMARY OF THE AMENDED PLAN OF REORGANIZATION WHICH IS FILED CONCURRENTLY HERewith (the "Plan"), AND SHOULD NOT BE RELIED UPON FOR VOTING PURPOSES. THE SUMMARY IS NOT COMPLETE, AND CREDITORS ARE URGED TO READ THE PLAN IN FULL. A COPY OF THE AMENDED PLAN OF REORGANIZATION WILL BE PROVIDED TO ALL CREDITORS. TO THE EXTENT THE FOLLOWING SUMMARY INCLUDES DEFINED TERMS, THOSE DEFINITIONS

1 **ARE INCLUDED IN THE PLAN FILED CONCURRENTLY HEREWITH. ALL**
 2 **CAPITALIZED TERMS HEREINAFTER HAVE THE MEANINGS SET FORTH IN**
 3 **THE PLAN.**

4 **8.1 Classification and Treatment of Claims**

5 The Plan designates six (6) classes of claims. Those classes take into account the
 6 differing nature and priority of the various classified claims under the Bankruptcy Code.

7 The following table briefly summarizes the classification and treatment of all Claims
 8 under the Plan and the consideration distributable on account of such Claims under the Plan.

9 The information set forth in the following table is for convenience of reference only, and
 10 each holder of a Claim should refer to the Plan for a full understanding of the classification
 11 and treatment of Claims provided for under the Plan. Claims will receive designated
 12 treatment within a Class only to the extent Allowed within that class. The Claim allowance
 13 procedure is an ongoing process and the actual amount of the Allowed Claims may vary from
 14 the estimates.

15 CLASS	CLAIMS	SUMMARY OF TREATMENT
16 Nonclassified	Administrative Expenses	Paid in full on the latest of (a) on or before 17 the Effective Date; (b) when due or such 18 later date as approved by the claimant; or 19 (c) when allowed by Final Order
20 Nonclassified	Administrative Claims	See Section 8.2.7 below
21 Nonclassified	Priority Claims	See Section 8.2.7 below
22 Class 1	Secured Claim of Excel 23 National Bank	See Section 8.2.1 below
24 Class 2	Secured Claim of DNK 25 Airport, LLC	See Section 8.2.2 below
26 Class 3	Secured Claim of CM 27 Jarvis Furniture Leasing, 28 Inc.	See Section 8.2.3 below

CLASS	CLAIMS	SUMMARY OF TREATMENT
Class 4	Secured Claim of Elko County Treasurer	See Section 8.2.4 below
Class 5	Unsecured Claims	See Section 8.2.5 below
Class 6	Membership Interest	Receives no distribution until Class 1 through 5 are paid in full. See Section 8.2.6 below

8.2 Treatment of Claims and Interests

Each creditor class shall be treated as follows:

8.2.1 Class 1 (Excel National Bank Secured Claim):

The Excel National Bank Secured Claim shall be treated under the Plan as follows:

(A) Amount of the Excel National Bank Secured Claim

The amount of the Excel National Bank Secured Claim shall be the lesser of the value of the Property determined as of the Confirmation Date (the "Value as of Confirmation Date") or the Excel National Bank Note Balance.

(B) Retention of Security Interest in Property

Excel National Bank shall retain its security interest in the Property as evidenced by the Excel National Bank Deed of Trust.

(C) Payment of the Excel National Bank Secured Claim

The Excel National Bank Secured Claim shall bear interest at the rate of 4.25% per annum from and after the Effective Date, or, in the event of objection by the Class 1 creditor, such other rate as the Court shall determine is appropriate after considering the evidence at the Confirmation Hearing (the "Excel National Bank Interest Rate"). On or before the 15th day of each and every month, commencing on the 15th day of the next month following the Effective Date, the Debtor shall distribute to Excel National Bank an amount equal to the normal amortized monthly payment based upon the Excel National Bank Interest Rate and a 30-year amortized mortgage term (the "Monthly Class 1 Payment").

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(D) Payment of the Balance Due on the Excel National Bank Secured Claim

The balance owed on the Excel National Bank Secured Claim, together with any and all accrued interest, fees and costs due thereunder, shall be paid on or before ten (10) years following the Effective Date, or such other date as may be proposed by the Debtor and approved by the court at the Confirmation Hearing, by the means as set forth in Section 8.4 below.

(E) Loan Documents Remain In Effect

The Excel National Bank Note and the Excel National Bank Deed of Trust shall remain in full force and effect, except as modified by or otherwise inconsistent with the Plan, in which event the terms of the Plan shall supercede.

(F) Plan Default

In the event of a default by the Debtor under the Plan, and in the event Debtor fails to cure such default within fifteen (15) business days after delivery of notice to the Debtor and to Debtor's counsel, Excel National Bank shall be entitled to enforce all of the terms of the Excel National Bank Deed of Trust and the Excel National Bank Note, in addition to all rights available under Nevada law, including, without limitation, foreclosure upon the Property and the opportunity to credit bid the entire amount of the Excel National Bank Note at any foreclosure sale.

8.2.2 Class 2 (DNK Airport, LLC):

The DNK Airport, LLC ("DNK") claim is secured by a second deed of trust. The value of the Property is less than the amount owed to the Class 1 creditor, and therefore, DNK's claim is entirely unsecured and shall be included in Class 5, unsecured claims, and treated accordingly.

8.2.3 Class 3 (CM Jarvis Furniture Leasing, Inc.):

The Class 3 claimant shall retain its existing security interest in the motel furniture and personal property held as collateral. The amount of the Allowed Secured Claim shall be the lesser of the amount owed on the Jarvis note as of the petition date or the value

of the collateral securing the note. Debtor estimates the value of the collateral securing the note is \$200,000.00, however, the Class 3 claimant or the Debtor may present evidence at the Confirmation Hearing that the value of the collateral is greater or lesser, in which event its Allowed Secured Claim shall be appropriately modified. The Allowed Secured Claim shall bear interest at the rate of 4.5% per annum, or in the event of objection raised by the Class 3 creditor, such rate shall be determined by the court as appropriate at the Confirmation Hearing (the "Jarvis Interest Rate"). The Allowed Secured Claim shall be paid in one hundred twenty (120) equal monthly installments, or such fewer payments as may be proposed by the Debtor and approved by the court at the Confirmation Hearing based on the Jarvis Interest Rate, commencing on the fifteenth day of the next month following the Effective Date until paid in full. To the extent not inconsistent with this paragraph, the terms and conditions of the existing promissory note and security agreement shall remain in full force and effect. The balance of the claim (the total Allowed Claim less the Allowed Secured Claim) shall be paid according to the treatment for Class 5 general unsecured claims.

8.2.4 Class 4 (Elko County Treasurer):

The Secured Claim of the Elko County Treasurer shall bear interest at the statutory rate of 6% per annum, and shall be paid by equal monthly payments over a period of 60 months, commencing on the first day of the first month following the Effective Date.

8.2.5 Class 5 (Unsecured Claims):

Allowed Unsecured Claims shall receive a prorata distribution of the Surplus Equity Contribution as described in Section 7.1 of the Plan. In addition, Allowed Secured Claims shall receive a prorata distribution of the amount of \$125,000.00 from refinance or sale of the Property at or before the maturity date for the payment of the Class 1 creditor. The Debtor may propose a different distribution amount at the time of the Confirmation Hearing.

8.2.6 Class 6 (Membership Interests):

The members shall retain their membership interests in the Reorganized Debtor, but shall receive no distribution until Classes 1 through 5 are paid in full.

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1 **8.2.7 Treatment of Unclassified Claims:**

2 **(A) Administrative Claims**

3 Claims arising during the administration of the Debtor's Chapter 11 case and entitled
4 to priority under Section 507(a)(1) of the Bankruptcy Code are not classified under the Plan.
5 Holders of such claims shall be paid in full on the latter of the Effective Date, or fifteen (15)
6 days after entry of an order creating an Allowed Administrative Claim, unless holders of an
7 Allowed Administrative Claim agree to alternative treatment. Allowed Administrative
8 Claims may be paid by the members of the Debtor.

9 **(B) Fees to the United States Trustee**

10 All fees required to be paid to the United States Trustee will be paid in full upon the
11 Effective Date of the Debtor's Plan, and shall remain current until the case is fully
12 administered, closed, converted or dismissed, whichever occurs first. Such fees may be paid
13 by cash contributions by the member of the Debtor.

14 **(C) Priority Claims**

15 Allowed Priority Claims shall be paid in full within 60 months following the Effective
16 Date, with interest, as provided by 11 U.S.C. §1129(a)(9).

17 **(D) Disputed Claims**

18 All payments hereunder to creditors whose claims are not liquidated or are disputed
19 shall be paid into a segregated trust account until such claims are an Allowed Claim, in which
20 case the proceeds shall be disbursed, or such claim shall be disallowed.

21 **8.3 Executory Contracts**

22 All executory contracts of the Debtor are assumed, and shall be maintained current.
23 To the extent not cured prior to the Effective Date, all delinquent payments owed to Best
24 Western International, Inc. shall be paid current as of the Effective Date. Such payment shall
25 be made by contributions from the Debtor's members or affiliates. The required payment
26 amount shall be deposited in a segregated trust account prior to June 23, 2011.

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1 **8.4 Means of Implementing and Funding The Plan**

2 **8.4.1 Contribution From Members**

3 The Debtor's members shall contribute the greater of the sum of \$125,000.00, or the
4 amount necessary to cure the delinquent payments to Best Western International, in order to
5 fund the Plan. The Debtor's members may contribute additional sums to fund the Plan. Such
6 sum shall be deposited into a segregated trust account on or before June 23, 2011. Such sum
7 shall be applied first to cure all delinquency owed on the membership agreement with Best
8 Western International, Inc., with the balance, if any, distributed prorata to Allowed Class 5
9 creditors.

10 **8.4.2 Continued Operation**

11 The Plan will be funded by the Debtor's income from the ongoing operation of its
12 business. Debtor anticipates that this will be sufficient to make the payments due of the
13 Class 1, 3 and 4 claims.

14 **8.4.3 Sale or Refinance of Property**

15 The Debtor will sell or refinance the Property before the Excel Maturity Date. The
16 proceeds from such sale or refinance shall be used to fund the Plan as set forth herein.

17 **8.4.4 Disputed Claims**

18 All sums contemplated to be paid under the Plan to creditors whose claims are not
19 liquidated or are disputed shall be paid into a segregated trust account until such claims are
20 an Allowed Claim, in which case the proceeds shall be disbursed, or such claim shall be
21 disallowed.

22 **8.4.5 Revesting of Assets in the Debtor**

23 Upon confirmation of the Plan, all property of the estate of the Debtor shall be
24 revested in the Debtor, pursuant to 11 U.S.C. § 1141(c), which shall retain such property as
25 the Reorganized Debtor free and clear of all claims and interests of the creditors, except as
26 set forth in the Plan.

27 **8.4.6 Disbursing Agent**

28 The Debtor will serve as disbursing agent and shall make all payments required under

1 the Plan. The disbursing agent may employ or contract with other entities to assist in or to
2 perform the distribution of the property and shall serve without bond.

3 **9. POST-CONFIRMATION FINANCIAL CONDITION OF THE DEBTOR**

4 Following Plan confirmation, the Debtor believes that its post-confirmation financial
5 condition shall be as set forth in the Post-Petition Balance Sheet attached to the Disclosure
6 Statement as **Exhibit "A."**

7 **10. POST-CONFIRMATION MANAGEMENT OF THE DEBTOR**

8 The Debtor shall be managed post-confirmation by its current employees, or such new
9 employees as are obtained, as well as by Elko Gold Mine, LLC, which shall receive a
10 management fee of 5% of gross monthly revenues provided the Debtor is current in its
11 obligations under the Plan.

12 **11. ALTERNATIVES TO THE PLAN**

13 The Debtor believes that the Plan provides its creditors with the earliest and greatest
14 possible value that can be realized on their claims.

15 Under § 1121 of the Bankruptcy Code, the Debtor has the exclusive right to file a plan
16 of reorganization during the first 120 days after commencement of its Chapter 11 case, or as
17 otherwise extended by the Court. The Plan was filed within such 120 day period. In
18 addition, if the Plan is not accepted, other parties in interest may have an opportunity to file
19 an alternative plan of reorganization.

20 Alternatively, a liquidation of the Debtor's assets could be conducted as described in
21 Section 13 of this Disclosure Statement. For the reasons described in that section, Debtor
22 believes that the distribution to each impaired class under the Plan will be greater and earlier
23 than distributions that might be received in a Chapter 7 liquidation of the Debtor's assets.

24 **12. CERTAIN RISKS TO BE CONSIDERED**

25 HOLDERS OF CLAIMS AGAINST THE DEBTOR SHOULD READ AND
26 CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE
27 OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE
28 DOCUMENTS ATTACHED OR DELIVERED HERewith AND/OR INCORPORATED

1 HEREIN BY REFERENCE), IN DETERMINING WHETHER OR NOT TO ACCEPT OR
2 REJECT THE DEBTOR'S PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER,
3 BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN
4 CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

5 **12.1 Risk of Non-Confirmation of the Plan**

6 Because the Plan provides for the reorganization of the Debtor as a going concern,
7 many of the common risk factors found in typical reorganizations apply with respect to the
8 Plan. These include (a) the value of the Debtor's property has suffered significantly as a
9 result of the downturn in the United States economy since the summer of 2009. There is no
10 assurance that the Debtor's projections of the stabilized income from the Property will occur,
11 or that these projections will occur within the time period projected in the Plan; (c) because
12 the Plan is dependent on continued room rentals at the Property, there is a risk that the
13 projections of net operating income, with which to pay the Allowed Claims of Creditors, may
14 not be met; (d) if Excel National Bank is not paid in accordance with the Plan, and the
15 Debtor is unable to sell the Property or to secure alternative financing, Excel National Bank
16 may foreclose on the Property. Debtor is unaware of any regulatory contingencies or risks
17 in connection with the Plan.

18 **12.2 Non-Consensual Confirmation**

19 In the event one or more impaired Classes of Claims does not accept the Plan, the
20 Bankruptcy Court may nevertheless confirm the Plan at the Debtor's request, if all other
21 conditions for confirmation have been met and at least one impaired Class has accepted the
22 Plan (such acceptance being determined without including the vote of any "insider" in such
23 Class) and, as to each impaired Class that has not accepted the Plan "does not discriminate
24 unfairly" and is "fair and equitable" with respect to the rejecting impaired classes. The
25 Debtor believes that the Plan satisfies those requirements.

26 **12.3 Tax Consequences of the Plan**

27 The Debtor believes that there are no federal income tax consequences peculiar to its
28 Plan. EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT WITH

1 HIS/HER TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND
2 FOREIGN TAX CONSEQUENCES TO HIM/HER OF THE PLAN.

3 **12.4 Projections of Operations**

4 The Debtor's projection of its future income and expenses is set forth in **Exhibit "B"**
5 attached hereto. Those projections are based upon historical operations and projected
6 increase in room rentals up to a stabilized level.

7 **12.5 Liquidation Analysis**

8 Should the Debtor be forced to terminate its business operations or convert its case
9 to Chapter 7 and have a trustee conduct the liquidation of its assets, Debtor estimates that
10 such a liquidation will result in payment only to Excel National Bank on its secured claim
11 (Class 1 creditor) and no distribution to any of the other creditors (Classes 2, 3, 4, 5, and 6).
12 This is because Debtor will be unable to obtain any financing, which will lead to foreclosure
13 on the Property and the personal property. The Debtor believes the value of the Property can
14 only be enhanced by continued operation of the Property, reaching stabilized occupancy, and
15 a more favorable economic environment.

16 **13. CONFIRMATION OF THE PLAN**

17 **13.1 Confirmation of the Plan**

18 Pursuant to Section 1128(a) of the Bankruptcy Code, the Bankruptcy Court will
19 conduct a hearing regarding confirmation of the Plan at the United States Bankruptcy Court,
20 300 Booth Street, Reno, Nevada 89509, pursuant to separate notice provided to creditors and
21 interested parties.

22 **13.2 Objections to Confirmation of the Plan.**

23 Section 1128(b) provides that any party-in-interest may object to confirmation of a
24 plan. Any objections to confirmation of the Plan must be in writing, must state with
25 specificity the grounds for any such objections and must be filed with the Bankruptcy Court
26 and served upon the following parties so as to be received on or before the time fixed by the
27 Bankruptcy Court:

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1 AJ Kung, Esq.
2 Brandy Brown, Esq.
3 Kung & Associates
4 214 S. Maryland Parkway
5 Las Vegas, Nevada 89101
6 Telephone: (702) 382-0883
7 Facsimile: (702) 382-2720
8 Email: ajkung@ajkunglaw.com

Alan R. Smith, Esq.
505 Ridge Street
Reno, Nevada 89501
Telephone: 775/786-4579
Facsimile: 775/786-3066
Email: mail@asmithlaw.com

6 For the Plan to be confirmed, the Plan must satisfy the requirements stated in Section 1129
7 of the Bankruptcy Code.

8 **DATED** this 10th day of May, 2011.

9 LAW OFFICES OF ALAN R. SMITH

10 By: /s/ Alan R. Smith
11 ALAN R. SMITH, ESQ.
12 Co-Counsel for Debtor
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EXHIBIT "A"

POST-PETITION BALANCE SHEET

ASSETS:

Cash	\$ 10,000.00 (estimated)
Personal Property	\$ 1,460,000.00 (estimated)
Real Property	<u>\$ 2,000,000.00 (estimated)</u>

TOTAL ASSETS:	\$3,470,000.00
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LIABILITIES:

Administrative Claims (Est. Atty. Fees)	\$ 60,000.00 (estimated)
Priority	\$ 0.00
Secured Debt	\$ 6,710,831.00 (estimated)
Bank Deficiency Claim	\$ (unknown)
Unsecured Debt	<u>\$ 1,447,557.00 (estimated)</u>

TOTAL LIABILITIES	\$8,158,388.00
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NET ASSETS OVER LIABILITIES	<\$4,688,388.00>
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EXHIBIT "B"

PROJECTED MONTHLY NET INCOME

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Elko Gold Mine LLC 5 year projection	1 May 2011 - April 2012	2 May 2012 - April 2013	3 May 2013 - April 2014	4 May 2014 - April 2015	5 May 2014 - April 2016
Tax Collected	190,800.00	203,400.00	217,200.00	231,000.00	249,600.00
Net Revenue - Rooms	1,590,000.00	1,695,000.00	1,810,000.00	1,925,000.00	2,080,000.00
Total Gross Cash Receipts	1,780,800.00	1,898,400.00	2,027,200.00	2,156,000.00	2,329,600.00
Salaries and Wages	349,800.00	372,900.00	398,200.00	423,500.00	457,600.00
Payroll Taxes	47,700.00	50,850.00	54,300.00	57,750.00	62,400.00
Employee Benefits					
Total Payroll Expense	397,500.00	423,750.00	452,500.00	481,250.00	520,000.00
Operational Expense					
Comp Brkl Food/Supplies	79,500.00	84,750.00	90,500.00	96,250.00	104,000.00
Operating Supplies	47,700.00	50,850.00	54,300.00	57,750.00	62,400.00
Operating Services	31,800.00	33,900.00	36,200.00	38,500.00	41,600.00
Office Supplies	7,950.00	8,475.00	9,050.00	9,625.00	10,400.00
Professional & Legal Fees	63,600.00	67,800.00	72,400.00	77,000.00	83,200.00
Travel Agent Commission	23,850.00	25,425.00	27,150.00	28,875.00	31,200.00
Dry Cleaning	7,950.00	8,475.00	9,050.00	9,625.00	10,400.00
Franchise Fees	159,000.00	169,500.00	181,000.00	192,500.00	208,000.00
Employee Training	7,950.00	8,475.00	9,050.00	9,625.00	10,400.00
Travel Expense	12,720.00	13,560.00	14,480.00	15,400.00	16,640.00
Postage & Freight	2,385.00	2,542.50	2,715.00	2,887.50	3,120.00
License and Tax	2,385.00	2,542.50	2,715.00	2,887.50	3,120.00
Management Fee	63,600.00	67,800.00	72,400.00	77,000.00	83,200.00
Dues and Subscriptions	3,180.00	3,390.00	3,620.00	3,850.00	4,160.00
Software Comm and Internet	7,950.00	8,475.00	9,050.00	9,625.00	10,400.00
Bank Charges	636.00	678.00	724.00	770.00	832.00
Credit Card Merchant Fees	39,750.00	42,375.00	45,250.00	48,125.00	52,000.00
Insurance	27,030.00	28,815.00	30,770.00	32,725.00	35,360.00
Pest Control	1,272.00	1,356.00	1,448.00	1,540.00	1,664.00
Repair & Maintenances	95,400.00	101,700.00	108,600.00	115,500.00	124,800.00
Utilities	159,000.00	169,500.00	181,000.00	192,500.00	208,000.00
Theft & Loss	159.00	169.50	181.00	192.50	208.00
Advertising and Promotion	14,310.00	15,255.00	16,290.00	17,325.00	18,720.00
Admin & General	859,077.00	915,808.50	977,943.00	1,040,077.50	1,123,824.00
Property Taxes	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Occupancy Tax	190,800.00	203,400.00	217,200.00	231,000.00	249,600.00
Total Tax Expense	240,800.00	253,400.00	267,200.00	281,000.00	299,600.00
Total Job Cost	1,497,377.00	1,592,958.50	1,697,643.00	1,802,327.50	1,943,424.00
NOI	283,423.00	305,441.50	329,557.00	353,672.50	386,176.00

* Year from now, the revenue increased is estimated in hopes economy stabilizes.